



BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Order Instituting Rulemaking** :  
**Regarding Policies, Procedures and** : **Rulemaking 04-03-017**  
**Incentives for Distributed Generation** :  
**And Distributed Energy Resources** :

**RESPONSE OF THE MARUBENI CORPORATION IN SUPPORT OF  
FUELCELL ENERGY, INC.'S PETITION FOR MODIFICATION  
OF DECISION 04-12-045**

Pursuant to Rule 16.4(f) of the California Public Utilities Commission (“CPUC”) Rules of Practice and Procedure, The Marubeni Corporation and its affiliates (including San Diego-based Marubeni Sustainable Energy, Inc. and New York-based Marubeni Power International, Inc. – hereafter referred to as “Marubeni”) submits this Response in support of FuelCell Energy Inc.’s (“FCE’s”) petition for modification of Decision 04-12-045 (“Petition”).

Marubeni, as a developer of power generating facilities worldwide, is actively engaged in developing renewable and Distributed Generation (“DG”) projects for industrial and commercial customers throughout the State of California. Marubeni wishes to acknowledge to the CPUC our strong support of FCE’s request to increase the limit of incentive payments available under the Self-Generation Incentive Program (“SGIP”) from the current cap of 1 MW to 3 MWs for the following reasons:

- 1. The SGIP program model has proven itself, providing urgently needed DG resources in the small-scale market sector. It has proven that new renewable and highly-efficient DG technologies have a place in California’s power generating portfolio. It is time to maintain California’s leadership position for supporting renewable and DG technologies by supporting the mid-size and larger-scale market sectors.**
- 2. An increase in the incentive cap is needed in order to cost-effectively develop the market for fuel cell technology at waste water treatment facilities, landfill facilities and other commercial and industrial facilities that need larger scale projects.**
- 3. An increase in the SGIP would allow larger users of electrical and thermal energy to implement more efficient technologies which utilize less fuel.**

- 4. An increase in the SGIP incentive cap will open a larger marketplace that is increasingly, on a voluntary and proactive basis, choosing to reduce greenhouse gas emissions ahead of AB32 implementation.**
- 5. The potential benefits to customers and ratepayers; in our opinion clearly justify increasing the SGIP incentive cap from 1 to 3 MWs.**

## **I. Introduction**

Marubeni has an active interest in achieving the goals and objectives of the SGIP program. Marubeni agrees that increasing the SGIP incentive cap from 1 to 3 MWs would promote development of larger DG applications, and help encourage further innovation and expansion of DG applications at a time when the state sorely needs new sources of renewable distributed energy and the most efficient use of other fuel stocks widely used in the State.

## **II. Marubeni agrees with FCE that the SGIP Program effectively encourages small DG technologies but does not do so for larger DG technologies.**

There are important differences between small (<1 MW) and larger (5-50 MWs) DG technologies, markets and applications. The economic value proposition to all stakeholders is enhanced with larger DG systems. There is an increasing market demand for DG between 1 and 3 MWs that more closely meets the requirements of end use customers. There is currently a void in the marketplace in California, particularly in areas that are exposed to significant air quality issues, in promoting new clean and highly-efficient renewable and DG technologies. The ever increased ratcheting of air quality standards throughout the State prevents many of the prime movers utilized in the past to be implemented. Voluntary attempts by State, Federal, Industrial and Commercial customers to reduce green house gas emissions ahead of AB32 regulations are currently thwarted as they attempt to utilize waste heat to offset existing combustion technologies (i.e. boilers, chillers). End users are demanding higher efficiency out of any fuel source and many could reduce emissions to a greater extent by installing larger DG units.

## **III. Marubeni agrees that the cap on incentives for larger DG installations is inhibiting development of this important market sector.**

FCE is correct in stating that larger customers cannot participate in SGIP because the MW cap on incentives deters larger installations, as they become uneconomical and too risky to develop. Development is further hindered when a developer or end use customer attempts to match

thermal loads at a customer site to maximize the reductions of green house gases emissions within the spirit and intent of AB32, and particularly acute when using renewable fuel sources such as methane gas or waste hydrogen. Maintaining the 1 MW incentive cap effectively limits the benefits of new and renewable DG technologies to a relatively small fraction of the marketplace - depriving the larger market, and ultimately California's residents, of cleaner, more efficient energy production.

**IV. The markets for large and small DG market sectors are distinct and do not compete with each other.**

Raising the cap to encourage new, larger applications will not negatively affect smaller applications, since the two groups are reaching different customers. If the Commission is concerned about running out of funding, it can monitor participation, distribute money between large and small, or increase the budget to ensure that both large and small DG markets grow. It is important to note that other states have begun to support new renewable and DG technologies in the larger DG market sectors (up to 30 MWs or more in some cases). States like New York, Pennsylvania, Texas and others are looking at Connecticut's CCEF program, realizing that new DG technologies can help states with limited commercially-viable solar, hydro and wind resources meet their RPS requirements.

**V. Encouraging development of new markets for larger DG applications will directly contribute to decreasing greenhouse gas emissions and achieving other environmental objectives.**

By definition, the large-scale DG market will provide greater tangible environmental benefits by providing greater greenhouse gas reductions, as compared to the small-scale DG market. While it is important for the State to provide a balance between large and small-scale DG support, large-scale DG provides the greater benefit to California's residents. ***All DG is still a very small percentage of California's overall generation portfolio.*** For all the right environmental, efficiency and grid reliability reasons, the DG market as a whole should continue to grow. The continued success and natural progression of the SGIP should be to increase the benefits to all DG market sectors, making them available to California's residents.

In conclusion, Marubeni strongly recommends an increase in the SGIP MW limit to 3 MW's. It is our sincere hope that this is but a next step in the continued progress of the SGIP, with

additional steps to 5 MWs, 10 MWs, and greater (with commensurate budget increases), to be implemented in the near future.

August 30, 2007

Respectfully submitted,

/s/

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PROOF OF SERVICE

I declare that:

I am employed in the County of Sacramento, State of California. I am over the age of eighteen years and am not a party to the within action. My business address is ELLISON, SCHNEIDER & HARRIS; 2015 H Street; Sacramento, California 95814-3109; telephone (916) 447-2166.

On August 30, 2007, I served the attached *Response of the Marubeni Corporation in Support of Fuel Cell Energy Inc.'s Petition for Modification of Decision 04-12-045* by electronic mail or, if no e-mail address was provided, by United States mail at Sacramento, California, addressed to each person shown on the attached service list.

I declare under penalty of perjury that the foregoing is true and correct and that this declaration was executed on August 30, 2007, at Sacramento, California.

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/s/  
Karen A. Mitchell

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